

EX-IM BANK SHORT-TERM SINGLE-BUYER EXPORT CREDIT INSURANCE

SUMMARY

Companies exporting U.S. goods can reduce their risks of selling abroad on credit terms, and expand their worldwide market by selectively insuring foreign receivables under a Short-Term Single-Buyer Export Credit Insurance Policy.

The coverage protects against export credit risks, both political and commercial. Exporters may cover single or multiple shipments under a sales contract. Because there is no requirement to insure a spread of business, Ex-Im Bank's Short-Term Single-Buyer Policy provides new opportunities for exporters to insure transactions selectively with or without linking them to bank financing.

Exporters may obtain Ex-Im Bank's export credit insurance either for multi-buyer (see EIB92-16) or single buyer coverage. In general, however, policyholders may have only one type of coverage at a time.

WHAT IS COVERED

The Single-Buyer policy affords coverage against losses caused by political events, such as war, revolution, changes in certain export or import laws, and foreign exchange inconvertibility, or commercial events, such as insolvency and protracted default. Equalized coverage for commercial and political risks (comprehensive cover), or political-only cover, are available at the following maximum percentages:

	<u>Comprehensive or Political-Only</u>
Sovereign obligors	100%
Private sector and other non-sovereign obligors	90%
Letter of credit transactions	95%
Bulk agricultural transactions	98%

Coverage applies to credit sales to a foreign buyer, or export letters of credit opened by a foreign issuing bank, named in the policy declarations for any goods produced in and shipped from the United States during the policy period. Cover is generally provided for credit terms up to 180 days for consumer items, spare parts and raw materials. On a case-by-case basis, agricultural commodities, capital equipment, bulk agricultural commodities and fertilizer may be insured on terms up to 360 days. Products which are less than 50% U.S. content and defense products are not eligible for cover.

Principal amounts are covered up to the maximum insured percentages stated above or as specified in the policy declarations.

INTEREST COVERAGE

Documented interest is covered up to rates specified in the interest coverage endorsement. It is covered up to 180 days after the due date (or fewer days when the claim is settled earlier).

Documented interest coverage is limited to the lesser of:

- the rate specified in the obligation
- the rate legally valid in the buyer country
- the rate below applicable to the approved currency designated in the sales contract:
U.S. Dollars: The Wall Street Journal New York published prime rate minus 0.5 percent;
Swiss Francs, French Francs, German Deutsche Marks, UK Pounds Sterling, Canadian Dollars and Japanese Yen: the six-month Euro-offered rate plus 0.5 percent

Principal and interest coverage is available for obligations denominated in local or third country currency, depending upon the currency involved.

WHAT PERIOD IS COVERED

Since the policy is structured for single-sale transactions, the standard policy period during which shipments can be made is three months. Ex-Im Bank will consider requests to issue a policy for up to 12 months to accommodate multiple shipments under a sales contract or repetitive sales to a single buyer.

RISK RETAINED BY THE INSURED

There is no first loss deductible provision in the policy; however, the policyholder must stay at risk for the amount exceeding the insured percentage of coverage specified in the policy declarations.

COVERAGE LIMITS

In addition to the insured percentage of coverage, some other limitations should be noted.

- The shipment volume limit indicates the maximum value which may be insured under the policy and represents principal charged to the buyer. The first shipment(s) made to the buyer under the coverage terms and after the coverage effective date are insured until this shipment volume is reached. Any further shipments are not covered.
- The claim payment limit (principal) is the maximum amount Ex-Im Bank will pay for all claims for principal amounts resulting from all insured shipments made while the policy is in effect. Ex-Im Bank will also pay the insured percentage of interest owing under the terms specified in the interest coverage endorsement.

WHAT THE INSURED AGREES TO DO

The insured agrees to:

- pay the premium in full before the policy is issued;
- report to Ex-Im Bank in writing, form EIB92-27, if the buyer has not paid any insured amount for 90 days or more past due;
- cease shipments if the buyer is insolvent or has any debts, insured or uninsured, payable to the insured, which are 90 days or more past due;
- make a written demand for payment on the buyer and any guarantor at least 30 days before filing a claim;
- do everything reasonable to collect from the buyer any amounts owing;
- obtain Ex-Im Bank's written approval before rescheduling any insured transactions.

CLAIMS AND PAYMENTS

Claims may be filed 90 days after the due date and must be filed within 240 days. Upon payment of a claim, the insured agrees to sign a release, to transfer the covered debt obligations to Ex-Im Bank, and notify the buyer to make future payments to Ex-Im Bank.

Ex-Im Bank pays properly submitted and documented claims, form EIB92-65, within 60 days of receipt.

RISK-BASED PREMIUM RATES

A risk-based pricing system is utilized. A disciplined formula provides a premium rate that reflects the major risk elements of each transaction. Applicants may obtain a non-binding rate indication by referring to the Short Term Fee Schedule at Ex-Im Bank's Internet Homepage or by contacting the Business Development Division with specifics of the proposed transaction. Changing conditions may result in a different rate being finally offered than is initially indicated.

Premium is paid on the total principal volume amount to be insured. If requested, additional premium rates for preshipment coverage will be added to the premium rate for the transaction resulting in a final rate per \$100 of invoice value.

MINIMUM PREMIUMS

For exporters qualifying as a small business under U.S. Small Business Administration guidelines, the minimum premium is lower. The following minimum premiums apply:

	Small	Other
Sovereign and political-only coverage	\$ 500	\$ 750
Non-sovereign public	\$ 750	\$1,500
Creditworthy private	\$1,000	\$2,500

POLICY APPLICATION PROCEDURE

The application form, EIB92-64, is completed by the exporter outlining the specifics of the transaction and requesting information about the exporter and the buyer. Ex-Im Bank has published its Short-Term Credit Standards (EIB99-09) for both Exporters and Buyers which may be consulted to determine the likelihood of approval.

Upon review and approval of the application, Ex-Im Bank issues a commitment notice on the transaction, stating the parameters of coverage. These parameters include Ex-Im Bank's limit of liability for the transaction, the insured percentage, shipment volume limit, payment currency, premium, policy period and any special conditions required.

The commitment notice is effective for a maximum of 90 days and locks in the coverage as outlined. This assures the exporter that all policy conditions will remain unchanged for the commitment period. Commitment periods in excess of 90 days are not available. The policy is issued upon receipt of the premium (the policy coverage effective date), which must be received within the commitment period. The policy coverage expiration date is set at 90 days after the effective date unless a longer period was requested of, and approved by Ex-Im Bank.

POLICY PROCEEDS ARE ASSIGNABLE

By submitting the appropriate notification form to Ex-Im Bank, the policy proceeds may be assigned to a commercial bank or other lender. Thus, the policyholder can realize greater financial liquidity and flexibility in administering its foreign receivables.

To encourage financing, an Enhanced Assignment has been developed for financial institutions taking assignment of a small business insured's rights to any amount payable under the policy. If the assignee complies with its responsibilities, it will be protected from many defenses to nonpayment of a claim which ordinarily would be asserted. Such an assignment is not available to exporters using an Ex-Im Bank or SBA Working Capital Loan Guarantee. See the Short-Term Credit Standards (EIB99-09) Exporters for an Enhanced Assignment to determine the likelihood of approval of such an assignment.

The standard assignment is form EIB92-32. The enhanced assignment is form EIB99-17.

MORE INFORMATION

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